

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-05

NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 DODE-00 EB-07 COME-00 FRB-03 IO-10 /078 W

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R 111633Z SEP 75

FM USMISSION NATO

TO SECSTATE WASHDC 3488

S E C R E T SECTION 1 OF 2 USNATO 4935

E.O. 11652: GDS

TAGS: NATO, EAID, UR, XH, CH, XA, XM, XB, OPEC

SUBJ: ECONADS: COMMUNIST AID TO LDCS IN 1974

REF: A. DOC AC/127-WP/438, B. USNATO 4583

1. SEPTEMBER 18 ECONADS MEETING CONSIDERED THREE PAPERS, TEXTS QUOTED BELOW, AMPLIFYING REF DOC. DISCUSSION AT SEPTEMBER 11 MEETING BROUGHT REQUEST THAT THE REPORT ALSO DEAL WITH GROWING IMPORTANCE OF OPEC AID FLOWS AND THE ADDENDUM IN PARA 2 RESULTED. AS WILL BE CLEAR WHEN POUCHED COPIES ARE RECEIVED, DISCUSSION AT SEPTEMBER 18 MEETING, INITIATED BY TURKISH ECONAD, BROUGHT CERTAIN FURTHER MODIFICATIONS. PARA 3 REPRODUCES A "CORRIGENDUM" WHICH NOT ONLY CORRECTS CERTAIN TYPOS, BUT ALSO PROVIDES FOR RENUMBERING OF FINAL PARAGRAPHS OF DOC TO TAKE ACCOUNT OF THE NEWLY INSERTED MATERIAL. PARAGRAPH 4 REPRODUCES COMMENTS FROM UK ANALYSTS ON CERTAIN DATA AND CONCLUSIONS IN BASIC PAPER.

2. BEGIN TEXT OF ADDENDUM:

ADDENDUM TO WORKING PAPER AC/127-WP/438 DATED 18TH AUGUST, 1975

AFTER PARAGRAPH 49 ADD:

H. THREE AID SOURCE COMPARATIVE ASSESSMENT

50. THERE ARE FUNDAMENTAL DIFFERENCES NOT ONLY IN
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MAGNITUDE BUT ALSO IN PHILOSOPHY AND MOTIVATION OF THE THREE AID SOURCES DESCRIBED ABOVE; HENCE, VALID AND MEANINGFUL COMPARISONS ARE DIFFICULT. WESTERN AID REMAINS AT PRESENT THE HIGHEST IN BOTH VOLUME AND VALUE TERMS (1974: TOTAL NET

FLOW OF RESOURCES: \$26.7 BILLION), AND WIDEST IN SCOPE/TO HELP DEVELOPING NATIONS EVOLVE ECONOMICALLY AND SOCIALLY.

51. IN THIS CONTEXT, OPEC AID, SECOND IN RANK AFTER THE WEST IN THE EXTENT OF ITS COMMITMENTS (1974: \$8.5 BILLION WITH SOME \$2.5 BILLION IN DISBURSEMENTS), COULD WELL COMPLEMENT WESTERN AID IN FUTURE YEARS. OF COURSE THE TARGET AREAS OF OPEC AID ARE ESSENTIALLY LIMITED AT PRESENT TO THE MOSLEM ARAB AND NON-ARAB COUNTRIES.

IT IS NOTEWORTHY THAT SOME 40 PCT OF CURRENT OPEC AID IS ESTIMATED TO GO TO WHAT THE UN CALLS THE "MOST SERIOUSLY AFFECTED COUNTRIES" I.E. THE POOREST OF THE POOR, COMPARED WITH ONLY 8 PCT OF WESTERN AID. IN ADDITION, AID DISBURSEMENTS OF THE MAJOR OPEC DONORS ARE WELL OVER 3 PCT OF THEIR GNP AND THEIR OIL REVENUES (E.G. IN 1974 KUWAIT: GNP: 3.7 PCT; OIL REVENUES: 4.5 PCT. UAE: GNP: 3.8 PCT; OIL REVENUES: 3.6 PCT).

52. BY CONTRAST, SOVIET AID OBJECTIVES (1974: NET FLOW ESTIMATED AT \$634 MILLION) REMAIN CLOSELY LINKED TO MOSCOW'S POLITICAL AMBITIONS WITH ALTRUISM TAKING A DEFINITE SECONDARY PLACE IN SOVIET AID PLANNING. INDEED, SINCE THE SOVIETS DECIDED TO EMBARK ON A FORMAL AID PROGRAMME IN THE MID-FIFTIES, MOSCOW HAS CONSTANTLY VIEWED ECONOMIC AID AS A MAJOR INSTRUMENT OF ITS FOREIGN POLICY IN THE THIRD WORLD. WHILE

OPEC AID WOULD APPEAR TO COMBINE BOTH HUMANITARIAN AND PSYCHOLOGICAL OBJECTIVES, IN SOVIET AID (AND TRADE, FOR THAT MATTER) TO THE LDCS, THE POLITICAL EMPHASIS REMAINS UPPERMOST.

53. HOWEVER, OPEC IS FAR FROM BEING UNITED IN ITS OBJECTIVES AND DEPENDING ON FUTURE OIL REVENUES, ITS AID PROGRAMME COULD BE SHORT-LIVED. SHOULD THIS AID CONTINUE AT ITS PRESENT LEVELS, IT IS LIKELY THAT, IN THE SHORTER TERM, IT WILL STILL BE DIRECTED PRIMARILY TOWARDS THE MOSLEM AREAS AND THE POORER COUNTRIES OF THE WORLD. IF, BY CONTRAST, THE
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SCOPE OF SUCH ASSISTANCE WERE TO BROADEN, THIS EMERGENCE OF OPEC AS A MAJOR DONOR IN THE THIRD WORLD COULD LEAD TO MODIFICATION OF THE AID POLICIES OF THE GREAT POWERS, I.E., OPEC AID MIGHT THEN ASSERT ITSELF IN AREAS

(I) WHERE WESTERN AID HAS BEEN PREDOMINANT;

(II) WHERE SOVIET AID COULD LEAD TO POLITICAL DEVELOPMENTS CONTRARY TO THE INTERESTS OF THE ARAB WORLD.

CONSEQUENTLY, GROWING COMPETITION COULD WELL DEVELOP BETWEEN THESE THREE AID SOURCES. ADDITIONALLY, THE SOVIET LEADERSHIP MIGHT RECONSIDER MODIFYING THE GOALS AND EXTENT OF THEIR OWN AID

PROGRAMMES.
END TEXT OF ADDENDUM.

3. BEGIN TEXT OF CORRIGENDUM:
CORRIGENDUM TO WORKING PAPER AC/127-WP/438 DTD 18TH AUGUST,
1975

PAGE 2, PARA 5, LINE 4
DELETE "WITH THE ..." TO END OF SENTENCE.

INSERT AFTER LARGE COMMUNIST EXPORT CREDITS." "AS AN
EXCEPTION TO THE GENERAL RULE UNDERLYING SOVIET AID
MOTIVATIONS, MOSCOW'S CREDIT AID TO ARGENTINA APPEARS TO HAVE
BEEN AIMED AT HELPING TO REDUCE THAT COUNTRY'S HUGE TRADE
DEFICIT WITH THE USSR. THIS DOES NOT, OF COURSE, EXCLUDE
SUBSEQUENT SOVIET POLITICAL ACTIVITIES IN A COUNTRY TORN BOTH
ECONOMICALLY AND SOCIALLY."

PAGE 9, PARAGRAPH 41, LINE 9
REPLACE "\$570 MILLION" BY "\$570 BILLION".

PAGE 9, PARA 42, LINE 2
REPLACE "...GNP, WHEREAS FOR EXAMPLE" BY "GNP. FOR
EXAMPLE..."

PAGE 9, PARA 42, LINE 7
REPLACE "0.60 PCT" BY "0.62 PCT".

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PAGE 11
ALTER HEADING H TO READ "I. CONCLUDING REMARKS AND OUTLOOK"
RENUMBER PARAS 50-56 TO READ 54-60.
THIS CORRIGENDUM CONSISTS OF 1 PAGE
END TEXT OF CORRIGENDUM.

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-05

NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 DODE-00 EB-07 COME-00 FRB-03 IO-10 /078 W

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TO SECSTATE WASHDC 3489

S E C R E T SECTION 2 OF 2 USNATO 4935

4. BEGIN UK COMMENTS:

COMMENTS BY DEI/DI73 AS FOLLOWS:

PAGE 2, PARA 2

ACCORDING TO UK ESTIMATES, NEW ECONOMIC AID COMMITMENTS WERE DOWN BY NEARLY 12 PCT (FROM \$1.7 BILLION IN 1973 TO \$1.5 BILLION IN 1974).

PAGE 3, PARA 7, LAST SENTENCE

OUR IMPRESSION IS THAT WHILE THE NUMBER OF SOVIET BLOC MILITARY ADVISERS IN IRAQ INCREASED CONSIDERABLE IN 1974, THE NUMBER IN SYRIA FELL SLIGHTLY, IF ANYTHING.

PAGE 4, PARA 11

UK ESTIMATES FOR NEW ECONOMIC COMMITMENTS IN 1974 ARE: \$1.5 BILLION IE A DROP OF NEARLY 12 PCT OVER 1973. THE DECLINE FROM THE 1972 PEAK LEVEL IS ESTIMATED AT 28 PCT.

PAGE 4, PARA 13

AS FAR AS WE ARE AWARE, NO FIGURE FOR NEW SOVIET AID TO SYRIA WAS ANNOUNCED, ALTHOUGH THERE WAS TALK OF A POSSIBLE NEW SOVIET LOAN FOR DEVELOPMENT PROJECTS, FOLLOWING PRESIDENT ASSAD'S VISIT TO MOSCOW IN APRIL 1974.

PAGE 4, PARA 15

UK ESTIMATES FOR E EUROPEAN EXTENSIONS ARE SOMEWHAT HIGHER - \$836 MILLION. THIS WAS CONSIDERABLY ABOVE THE 1973 LEVEL OF SOME \$580 MILLION AND ALSO WELL ABOVE THE 1972 LEVEL OF \$682 MILLION.

PAGE 4, PARA 17

UK ESTIMATES FOR CHINA'S NEW AID COMMITMENTS ARE RATHER HIGHER
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- SOME \$293 MILLION, WHICH INCLUDES A \$55 MILLION LOAN TO AFGHANISTAN. (THIS LOAN IS OMITTED IN THE NATO PAPER).

PAGE 5, PARA 18

AGAIN THE UK ETIMATE FOR DRAWINGS IN 1974 IS SOMEWHAT HIGHER THAN THE NATO FIGURE - \$1024 MILLIONS.

PAGES 7-9, SECTION F - MILITARY AID

OUR ESTIMATES OF SOVIET BLOC MILITARY AID DIFFER IN POINTS OF DETAIL FROM THOSE QUOTED WHICH, WE ASSUME, ARE OF AMERICAN ORIGIN. HOWEVER, THE DIFFERENCES ARE NOT SO GREAT THAT THEY CAUSE US TO DIFFER OVER ANY OF THE LINES OF ARGUMENT EXPRESSED OR THE CONCLUSIONS REACHED IN THIS SECTION. BUT WE HAVE THE FOLLOWING COMMENTS ON POINTS OF DETAIL:

(I) PARA 34, TABLE

WE THINK THAT DELIVERIES TO IRAQ IN 1974 WERE BIGGER THAN IN 1973; OUR APPROXIMATE FIGURES ARE \$445M AND \$255M RESPECTIVELY.

(II) PARA 37, LAST TWO SENTENCES

WE DOUBT IF 'EXPERTS EVALUATE THE TOTAL SOVIET SALES CONTRACT AT SOME \$7

BILLION'* THERE HAVE BEEN REPORTS TO THIS EFFECT, WHICH WE THINK GROSSELY EXAGGERATED AND WHICH WE HAVE TREATED WITH THE

GREATEST CAUTION; SALES ON THIS SCALE TO LIBYA WOULD BE MORE THAN 1 1/2 TIME LARGER THAN ALL THE SOVIET BLOC MILITARY AID SUPPLIED TO EGYPT, BY FAR ITS LARGEST SINGLE RECIPIENT, OVER A PERIOD OF NEARLY 20 YEARS* WE SUGGEST THAT THESE TWO SENTENCES WOULD BE BETTER OMITTED.

(III) PARA 39, LINE 2

OUR ESTIMATE FOR THE TOTAL VALUE OF SOVIET MILITARY AID EXTENDED UP TO THE END OF 1974 (SOME \$14,000 MILLION) IS SUBSTANTIALLY HIGHER THAN THE ONE QUOTED HERE. WE ASSUME THAT THE LATTER EXCLUDES SALES ON CASH AS DISTINCT FROM AID TERMS (VIDE PARA 37, FIRST SENTENCE). IF SO, WE THINK THIS IS UNREALISTIC AND MISLEADING. ARMS SUPPLIED FOR CASH CONTRIBUTE AS MUCH TO THE RECIPIENTS POTENTIAL AND THE EXTENSION OF THE DONOR'S INFLUENCE IN THE RECIPIENT COUNTRY AS ARMS SUPPLIED ON CREDIT TERMS; ANY ASSESSMENT OF THE EFFECTS OF SOVIET BLOC ARMS SUPPLY ACTIVITIES, IF IT IS TO BE AT ALL RELIABLE, MUST TAKE ACCOUNT OF THE FORMER AS WELL AS THE LATTER. //USNATO COMMENT: FRENCH ECONAD ASKED SPECIFICALLY THAT THIS MATERIAL BE CORPORATED.//

PAGE 10, PARA 43

IT MIGHT ALSO BE WORTH POINTING OUT HERE THAT WESTERN TECHNICAL ASSISTANCE IS NORMALLY PROVIDED FREE OF CHARGE, WHEREAS THE SOVIET

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BLOC COUNTRIES CHARGE FOR THEIR TECHNICAL AID IE IT IS COSTED AS PART OF THE LOAN AGREEMENT.

PAGE 23, PARA 54

WHILST WE AGREE THAT THE USSR DOES KEEP POLITICAL CONSIDERATIONS WELL TO THE FORE IN ITS AID PROGRAMME, THE EXAMPLE OF INDIA QOTED HERE IS A CONFUSING ONE. AS ONE OF THEIR OLDEST AND MOST IMPORTANT CLIENT STATES, INDIA WOULD SEEM TO MERIT SPECIAL ATTENTION AND TREATMENT FROM THE RUSSIANS. AND YET THEY HAVE SHOWN THEMSELVES VERY UNRESPONSIBLE TOWARDS INDIA'S DEBT REPAYMENT PROBLEMS.

PAGE 12, PARA 55, LAST SENTENCE

THIS IS AN INTERESTING POINT AND ONE WHICH IT WOULD BE WORTH EXPANDING ON, IF POSSIBLE. IT ALSO RAISES THE QUESTION AS TO HOW TO EVALUATE THE EFFECT OF THE COMMUNIST AID PROGRAMME (A) IN TERMS OF BENEFIT (POLITICAL AND ECONOMIC) TO THE DONORS AND (B) IN TERMS OF ECONOMIC BENEFIT TO THE RECIPIENT COUNTRIES. END UK COMMENTS.

5. ACTION REQUESTED: REVIEW OF FOREGOING, PARTICULARLY UK COMMENTS IN PARA 4, AND GUIDANCE ON INCLUSION OR MODIFICATION OF THIS MATERIAL INTO FINAL REPORT. CHAIRMAN BILLY IS ANXIOUS TO BE ABLE TO FORWARD THE REPORT AS SOON AS POSSIBLE AND REQUESTS US REACTION, IF ANY, BY SEPTEMBER 18 ECONADS MEETING. BRUCE

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<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 18 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 11 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NATO04935
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197509102/abbrzlxc.tel
Line Count: 268
Locator: TEXT ON-LINE
Office: n/a
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: A. DOC AC/127-WP/438, B. USNATO 4583
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 30 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 APR 2003 by ShawDG>; APPROVED <01 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONADS: COMMUNIST AID TO LDCS IN 1974
TAGS: NATO, EAID, UR, XH, CH, XA, XM, XB, OPEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006